

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA

-----oo0oo-----

MCKESSON INFORMATION
SOLUTIONS, INC.,

NO. CIV. S-02-2669 FCD KJM

Plaintiff,

V.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

BRIDGE MEDICAL, INC.,

Defendant.

-----oo0oo-----

On December 13, 2002, plaintiff and counter-defendant McKesson Information Solutions, Inc. ("McKesson") filed a patent infringement suit against defendant and counter-plaintiff Bridge Medical, Inc. ("Bridge") based on U.S. Patent No. 4,857,716 ("the '716 patent"), entitled "Patient Identification and Verification System and Method." By way of affirmative defense and counter-complaint for declaratory judgment, Bridge asserted that the '716 patent is unenforceable due to inequitable conduct.

At the parties' request, the court bifurcated trial of this case into two phases: Phase I, a bench trial on Bridge's affirmative defense of inequitable conduct, and Phase II (if Bridge did not prevail), a jury trial on McKesson's infringement claim in which the court would concurrently decide Bridge's other equitable defenses of equitable estoppel and unclean hands. (Am. Pretrial Conf. Order, filed Mar. 23, 2006, § II.)

The Phase I bench trial on the issue of inequitable conduct took place on May 2, 3, 4, and 9, 2006. Considering the evidence presented therein and the parties' written submissions thereafter,¹ the court enters the following findings of fact and conclusions of law pursuant to Federal Rule of Civil Procedure 52(a). The court finds that inequitable conduct occurred during prosecution of the '716 patent and accordingly, enters judgment declaring the patent unenforceable for that reason. The Phase II jury trial of this matter, and any pending motions related thereto, are therefore vacated.

FINDINGS OF FACT

A. Time-line of Events

1. Attorney Michael D. Schumann ("Mr. Schumann") prosecuted the patent application that ultimately issued as the '716 patent, in addition to several copending applications for the same client, CliniCom, Inc., McKesson's predecessor-in-

¹ The parties filed proposed Findings of Fact and Conclusions of Law on May 16, 2006. In some respects herein the court has adopted, without attribution, language suggested by one side or the other. In all such instances, the finding of fact or conclusion of law has become the court's own, based upon its review of the evidence and the law. To the extent that any of the court's findings of fact may be considered conclusions of law or vice versa, they are to be considered as such.

1 interest to the '716 patent. (Undisputed Facts, Am. Pretrial
2 Conf. Order, filed Mar. 23, 2006, [hereinafter, "Undisputed
3 Facts"], at 4:15-25.) Mr. Schumann, an experienced patent
4 prosecution attorney, is currently a name partner in a patent law
5 firm in Minneapolis, MN. (TT 30:5-8.)² Previously, Mr. Schumann
6 spent 24 years with another patent law firm in Minneapolis,
7 during which time he prosecuted the '716 patent at issue in this
8 case. (TT 30:8-11.)

9 2. On July 19, 1985, Mr. Schumann filed the original
10 grandparent application ("the '277 application") that would
11 ultimately mature into the '716 patent. (TT 82:7-83:3.) That
12 application was assigned for review to Examiner David Trafton at
13 the United States Patent & Trademark Office (the "PTO"), and
14 identifies Peter Gombrich, Ronald Zook and Max Hendrickson as the
15 inventors. (TX B-00001.) The '277 application is also the
16 grandparent application for Clinicom, Inc.'s copending U.S.
17 Patent No. 4,835,372, bearing the title "Patient Care System"
18 ("the '372 patent"). (TX Q-00001.)

19 3. On May 12, 1986, Mr. Schumann filed the parent
20 application ("the '278 application") that later issued as the
21 '716 patent. (TT 49:21-24.) That application in the chain of
22 the '716 patent remained before Examiner Trafton. (TX B-00001.)
23 The '278 application is also the parent application for the
24 copending '372 patent, which was also before Examiner Trafton.
25 (TX Q-00001.)

26
27

² All citations to "TT ____" are to the Trial Transcript
28 of the bench trial. All citations *infra* to "TX ____" are to the
exhibits admitted into evidence during the trial.

1 4. The same day Mr. Schumann filed the parent application
2 for the '716 patent, he also filed another application, the '149
3 application, for CliniCom, Inc. which later issued as U.S. Patent
4 No. 4,850,009 ("the '009 patent"). (TX R-00001.) That
5 application was assigned for review to PTO Examiner Robert Lev.
6 (Id.)

7 5. In the first Information Disclosure Statement ("IDS")
8 in the '009 prosecution, filed on August 12, 1986, Mr. Schumann
9 informed Examiner Lev of the existence of the copending
10 '716 application. (TT 94:21-95:19; TX X-00129.) Mr. Schumann
11 also disclosed the '009 application to Examiner Trafton in the
12 '716 case on August 14, 1986. (Undisputed Facts at 5:19-25.)

13 6. On February 26, 1987, Examiner Lev issued an Office
14 Action in the '009 prosecution, rejecting every claim of the
15 application as obvious over the prior art. (TX X-00042-46.)

16 7. In a supplemental IDS, of March 20, 1987, while
17 disclosing additional prior art references, Mr. Schumann notified
18 Examiner Trafton again of the copending application that issued
19 as the '009 patent. (TX W-00105.)

20 8. Through March of 1987, Mr. Schumann had disclosed
21 identical prior art to Examiner Trafton and Examiner Lev--the
22 same 33 patents and five articles--in the copending '716 and '009
23 prosecutions. (TT 105:1-10.)

24 9. On April 6, 1987, Examiner Trafton rejected every claim
25 in the '716 application as obvious in light of the prior art.
26 (TT 110:11-17; TX W-00111.)

27 10. On October 6, 1987, Mr. Schumann filed an "Amendment
28 under Rule 111" in the '716 prosecution. (TX W-00115-125.) In

1 the amendment, Mr. Schumann made arguments in response to
2 Examiner Trafton's rejections. Specifically, he distinguished
3 the prior art, and in particular argued:

4 None of the references either singularly or in
5 combination teach or suggest the claimed invention.
6 In addition to numerous other differences, none of
7 the references teach the three node approach to
8 communications as provided in the claimed invention.
9 In the present invention, the first node of
10 communication is a main or central computer . . .
11 The second node of communication are the base
12 stations which are wired to the main computer. . . .
13 The third node of communication in the present
14 invention is the portable handheld patient terminal
15 which cooperates with the base stations to
16 provide for wireless transmission of data between
17 the base station and the patient terminal.

18 (TX W-00124.)

19 11. In the amendment, Mr. Schumann also notified Examiner
20 Trafton of a new copending application that he filed (TX W-
21 00125), the '195 application, which was a continuation-in-part of
22 the '278 application and eventually issued as the '372 patent.

23 (TX Q.)

24 12. On October 23, 1987, Mr. Schumann participated in a
25 telephonic interview with Examiner Lev in the copending '009
26 prosecution. (TX X-00062.) Throughout the entire prosecution of
27 both the '716 and '009 patents, the October 23, 1987 interview
28 with Examiner Lev was the only telephonic interview.

29 (TT 117:21-118:5.) During that interview, Examiner Lev raised
30 one piece of prior art, U.S. Patent No. 4,456,793 to Baker et al.
31 ("the Baker patent"), which had not previously been disclosed in
32 either the '009 or '716 proceedings. (TX X-00062; TT
33 119:17-120:2.) Examiner Lev suggested that claims 1s9-24 of the
34 pending '009 application be cancelled in light of the Baker

1 patent. (TT 120:9-18; TX X-000062.)

2 13. On December 1, 1987, Examiner Lev issued another
3 rejection in the '009 prosecution, again rejecting every claim as
4 obvious. (TX X-00064-68.) In particular, he rejected certain
5 claims--claims 20 and 22-24--as obvious in light of the Baker
6 patent in combination with other prior art. (TX X-00066-67.)

7 14. On December 8, 1987, Examiner Trafton again rejected
8 the majority of the claims pending in the '278 application (the
9 '716 patent), but found that two of the pending claims would be
10 allowable if rewritten as independent claims. (TX W-00129.) In
11 response to the examiner's action, Mr. Schumann filed a
12 continuation application on June 8, 1988, the '527 application,
13 and abandoned the '278 application. (TX W-00133.) In a
14 Preliminary Amendment in the '527 application, Mr. Schumann
15 amended the allowable claims in accordance with the examiner's
16 previous comments and cancelled the remaining rejected claims.
17 (TX W-00135-138.) But Mr. Schumann also informed the examiner
18 that he reserved the right to pursue the other rejected claims of
19 the '278 application in the copending '195 application, which
20 eventually issued as the '372 patent, thus notifying the examiner
21 for the second time of that copending application. (Id. at
22 W-00137.)

23 15. On June 17, 1988, in response to Examiner Lev's
24 December 1, 1987 rejections, Mr. Schumann filed a Preliminary
25 Amendment in the '009 prosecution and cancelled claims 19-
26 24, "in an effort to obtain early allowance of at least some
27 claims to the invention." (TX X-00077.)

28

1 16. Mr. Schumann did not inform Examiner Trafton in the
2 '716 prosecution of either of Examiner Lev's rejections in the
3 '009 prosecution, or of the Baker patent. (TT 110:5-8;
4 121:10-13; 126:22-127:3.)

5 17. On September 19, 1988, Mr. Schumann filed another
6 patent application for CliniCom, Inc. which ultimately issued as
7 U.S. Patent No. 4,916,441, "Portable Handheld Terminal"
8 ("the '441 patent"). (TX T-00001.) That application was
9 assigned to Examiner Donald Yusko at the PTO. (*Id.*) While the
10 copending '716 patent application continued to be under
11 review by Examiner Trafton, Mr. Schumann disclosed the Baker
12 patent to Examiner Yusko in the first IDS in the '441
13 prosecution. (TX Y-00079.)

14 18. On December 16, 1988, the Notice of Allowability
15 regarding the '372 patent was mailed to Mr. Schumann.
16 (TX H-13-00066.) The '372 patent assigned to CliniCom, Inc.
17 issued on May 30, 1989 and lists as inventors Peter Gombrich,
18 Richard Beard, Richard Griffee, Thomas Wilson, Ronald Zook and
19 Max Hendrickson. (TX Q-00001.) Claim 1 of the '372 patent
20 claims a "patient identification and verification system for
21 relating items to specific patients and for ensuring that an
22 identified item corresponds to an identified patient," comprised
23 of three nodes of communication: (1) "programmed system computer
24 means," (2) "microprocessor controlled portable handheld patient
25 terminal means," and (3) "microprocessor controlled base station
26 means including electromagnetic wave transceiver means."
27 (TX Q-00051-52.)

1 19. The PTO issued the '009 patent on July 18, 1989.
2 (TX R-00001.) The '009 patent, titled "Portable Handheld
3 Terminal Including Optical Bar Code Reader And Electromagnetic
4 Transceiver Means For Interactive Wireless Communication With A
5 Base Station," is assigned to Clinicom, Inc. and lists as
6 inventors Ronald Zook and Peter Gombrich. (TX R-00001.) The
7 '009 patent claims, *inter alia*, a "portable handheld terminal"
8 including keyboard means, display means, optical sensor means for
9 sensing bar code indicia, and electromagnetic transceiver means.
10 (TX R-00014 at claim 16, lines 37-59.) The patent further claims
11 "a system" in which the "base station means" includes "programmed
12 microprocessor and memory means for controlling communication
13 between the portable handheld terminal and a central computer
14 system electrically wired to the base station means."
15 (TX R-00015 at Claim 16.)

16 20. On August 15, 1989, the '716 patent was issued by the
17 PTO. (TX B-00001.) Claim 1 of the '716 patent claims a "patient
18 identification and verification system" comprising three nodes of
19 communication: (1) "programmed system computer means," (2)
20 "microprocessor controlled portable handheld patient terminal
21 means," and (3) "microprocessor controlled base station means
22 including electromagnetic wave transceiver means." (TX B-00036.)
23 The portable handheld patient terminal means further includes bar
24 code reader means, keyboard means, display means, and
25 electromagnetic wave transceiver means. (TX B-00036 at
26 30:42-58.) Claim 1 of the '716 patent also specifies that the
27 base station is "interconnected to the programmed system
28 computer means at least in part by electrical lines."

1 (TX B-00036 at 30:65-67.)

2 **B. The Baker Patent**

3 21. Examiner Lev rejected claims 20 and 22-24 in the '009
4 application because of the Baker patent. (TX X-00066-67.)³
5 Rejected Claim 20 involved a portable handheld terminal with a
6 "unique address signal," and rejected claims 22-24 involved
7 methods of transmitting patient information from a handheld to a
8 base station using a "unique address recognizable by a base
9 station programmed to accept patient related information
10 containing the unique address." (TX X-00056-57.) Examiner Lev
11 found that Baker rendered the address code in the portable
12 handheld obvious. (TX X-00066-67.) Mr. Schumann testified that
13 the limitations Examiner Lev rejected were also present in the
14 '716 application he was prosecuting concurrently.

15 (TT 128:25-129:13.)

16 22. Additionally, the Baker patent includes the very
17 features relied upon by Mr. Schumann to argue for patentability
18 of the '716 patent. (TX W-000124.) The parties did not dispute
19 that Baker teaches a three-node approach to communications
20 similar to that claimed in the '716 patent; the three
21 nodes are plainly depicted in the Baker patent's Figure 1.
22 (TX AA-00002.) Bridge's expert Dr. Lawrence Fagan ("Dr. Fagan")
23 explained that the first node in the Baker patent is the "central

24
25 ³ The reference in the December 1, 1987 Office Action to
26 "Claim 26" (TX X-00066 at ¶ 5) is a typographical error, as there
27 was no Claim 26 pending. In light of the otherwise sequential
28 treatment of claims by Examiner Lev, the court finds that the
rejection at issue applies to pending Claim 20, as patent law
expert James Sheridan ("Mr. Sheridan") testified.
(TT 345:25-346:11.)

1 controller" in that figure, the second node is the "subsystem
2 controller," and the third node is the handheld device, depicted
3 as a cordless phone. (TT 264:5-265:22.) McKesson's expert Dr.
4 Harry Bims ("Dr. Bims") agreed that the Baker patent discloses a
5 three-node system, where the central controller is the first
6 node, the subsystem controller is the second node, and the
7 handheld device is the third node. (TT 446:1-18.)

8 23. Mr. Schumann cited as relevant prior art at least five
9 cordless telephone references to the '716 Examiner. (TX W-00105-
10 107.) The Baker patent also related to a cordless telephone
11 system. (TT 246:24-247:1.) Mr. Schumann also cited among the 33
12 prior art patents disclosed to both the '716 and '009 Examiners
13 patents relating to "monitoring test animal activity," a
14 "security system," and a "theft detection system." (TX V-00069-
15 70; TX W-00095-96.) None of these patents related to patient
16 identification systems, yet Mr. Schumann disclosed them "in
17 accordance with the applicant's duty of good faith and candor
18 toward the Patent Office." (TX W-00093; TX V-00068.) Mr.
19 Schumann testified that patents can be material where there is "a
20 different application even though the underlying technology might
21 be relevant to the case that you're handling." (TT 89:24-90:1.)

22 24. Examiner Lev had both U.S. Patent 4,628,193 to Blum
23 (the "Blum patent") and U.S. Patent 4,593,155 to Hawkins (the
24 "Hawkins patent") before him (TX X-00130) but used the Baker
25 patent to reject the '009 patent's claims to a portable handheld
26 terminal, as discussed above.

27 25. The Baker patent more explicitly and clearly discloses
28 a three-node wireless communications system than either the Blum

1 or Hawkins patents. The Blum patent (TX CC) does not disclose a
2 three-node system at all; it discloses a two node system with a
3 handheld and a central computer, where the handheld is physically
4 docked in the computer to transmit information. (TT 271:19-
5 272:25.) There is no base station that wirelessly transmits data
6 from the handheld to the central computer. (Id.) The Hawkins
7 patent (TX U9) only implicitly suggests a third node, a central
8 computer, rather than expressly disclosing it, like the Baker
9 patent. (TT 270:14-271:18.) Also, the parties' experts agreed
10 that the Baker patent includes the "display" claim limitation of
11 the '716 patent, which is missing from Hawkins. (TT 270:9-13;
12 451:6-18.)

13 26. Mr. Schumann admits that he knew that his duty to
14 disclose material information in the '716 prosecution continued
15 until that patent issued on August 15, 1989. (TT 50:23-51:2.)
16 After learning of the Baker patent on October 23, 1987 from
17 Examiner Lev, Mr. Schumann continued to actively prosecute the
18 '716 patent for another 22 months until his admitted duty of
19 disclosure expired. (See TT 127:6-16.)

20 27. Mr. Schumann cancelled the claims in the '009
21 application that were rejected due to the Baker patent.
22 (TT 131:8-132:1; TX X-00077.) Features of those cancelled claims
23 included aspects of the invention under review in the '716 patent
24 prosecution. (TT 128:25-129:13.)

25 28. Mr. Schumann has no present recollection of prosecuting
26 the '716 patent and thus cannot describe why, at the time, he did
27 not disclose the Baker patent to the '716 Examiner. (TT 212:2-5;
28 218:2-6; 222:1-22.) He believes now, looking at the Baker

1 patent, that it is cumulative prior art. (TT 221:17-21.)

2 **C. The Rejections in the '009 Prosecution**

3 29. The rejected '009 claims were substantially similar to
4 the '716's Claim 1. In the first rejection issued by Examiner
5 Lev on February 26, 1987, he rejected then-pending '009 claims 15
6 and 16. Claim 15 claimed:

7 A portable handheld terminal system, comprising:

8 (a) a portable handheld terminal, including:

9 (i) a housing having first and second spaced
10 apart, opposing major surfaces extending
longitudinally of the housing between first and
second end portions;

11 (ii) keyboard means disposed on the first surface
12 for entering data;

13 (iii) display means disposed on the first surface
14 for displaying data;

15 (iv) optical sensor means disposed in the housing
16 for sensing bar code indicia;

17 (v) RF transceiver means contained in the housing
18 for transmitting and receiving RF signals;

19 (vi) control means contained in the housing and
20 operatively interconnected to the keyboard means,
display means, optical sensor means, and RF
transceiver means for controlling operation of the
portable handheld terminal; and

21 (vii) power supply means for powering the portable
22 handheld terminal; and

23 (b) base station means including RF transceiver means
24 for communication with the portable handheld terminal.

25 (TX X-00117-118.) This claim alone bears striking resemblance to
26 Claim 1 of the '716 patent. Like the rejected '009 claim, Claim
27 1 of the '716 patent claims a "portable handheld patient
28 terminal means" having "bar code reader means," "keyboard means"
and "display means," "electromagnetic wave transceiver means,"

1 and "base station means" that transmit data wirelessly
2 to the handheld terminal. (TX B-00036 at col. 30:42-64.)
3 Rejected claim 16 in the '009 application strengthens the
4 similarity, adding a "central computer system electrically wired
5 to the base station means" (TX X-00118), the final node of the
6 '716 patent's three-node system. (See TX B-00036 at col.
7 30:65-67 ["the base station means being interconnected to the
8 programmed system computer means at least in part by electrical
9 lines . . ."].) In sum, these two rejected claims substantially
10 overlap with the limitations of Claim 1 of the '716 patent. Also
11 notable, these two '009 claims disclose all three nodes of the
12 '716's patient identification system, with the identical means of
13 communication among the core structures: the portable
14 handheld terminal, communicating wirelessly with base stations,
15 which in turn, communicate by electrical lines with a central
16 computer.

17 30. The second rejection issued by Examiner Lev on December
18 1, 1987, again rejected '009 claims which were substantially
19 similar to the '716's Claim 1. There, Examiner Lev rejected '009
20 pending claims 19 and 21, which like Claim 1 in the '716 patent,
21 included a "handheld terminal" with "keyboard means," "display
22 means," "optical sensor means . . . for sensing bar code data,"
23 "electromagnetic transceiver means for transmitting and receiving
24 electromagnetic signals representing the exchange of data,"
25 transmitting wirelessly "to a base station patient related
26 information" which, in turn, transmits that "patient related
27 information . . . to the central computer location by" electrical
28 lines. (TX X-00055-57.) Moreover, in the second rejection,

1 Examiner Lev also rejected the newly-added limitation of a
2 "unique address recognizable by a base station programmed to
3 accept patient related information containing the unique
4 address." (TX X-00057 [rejected '009 claims 22 and 23].) This
5 limitation appears in the '716 patent as the "programmable unique
6 identifier" aspect of the base station means. (TX B-00037.)

7 31. Several other '716 claim elements were also present in
8 the rejected '009 claims; namely, a "bar reader," a "programmable
9 identification code" and "the transmission of patient data."
10 (TT 656:4-9.) Rejected claim 15 included "optical sensor
11 means disposed on the housing for sensing bar code indicia,"
12 (TX X-00117), which Mr. Schumann testified is "basically the same
13 thing" as the bar code reader in the '716 claims. (TT 76:2-7.)
14 Rejected claims 22 and 23 include a "unique address," and further
15 specify that the base station is "programmed" with that address.
16 (TX X-00057 ["transmission of a unique address recognizable by a
17 base station programmed to accept patient related information
18 containing the unique address . . . the step of programming with
19 the base station, the portable handheld terminal to transmit the
20 unique address"].) Finally, rejected claim 22 explicitly
21 discloses "transmitting patient related information to the base
22 station from the handheld." (TX X-00057.)

23 32. Mr. Schumann has no present recollection of prosecuting
24 the '716 patent and thus cannot describe why, at the time, he did
25 not disclose the '009 rejections to the '716 Examiner. Looking
26 back, Mr. Schumann believes now that he either (1) probably
27 believed activity in the '009 prosecution was immaterial to the
28 '716 prosecution because the '009 case involved only a terminal,

1 while the '716 case involved an entire "system" or (2) he was
2 simply following his former law firm's policy and practice of not
3 disclosing rejections in copending applications, even where the
4 rejections related to other substantially similar, pending
5 claims. (See TT 239:18-240:4; 155:21-156:20; 41:11-19; 229:5-
6 21.)

7 **D. Allowance of the '372 Patent**

8 33. The allowed '372 claims were substantially similar to
9 the '716 claims. As an initial matter, the two patents share the
10 same assignee, three of the same inventors, 35 identical
11 figures and identical specifications. (TT 238:18-20;
12 63:12-64:13; 65:4-67:20; compare TX B ['716 patent] with TX Q
13 ['372 patent].) Moreover, the claims of the two patents are
14 nearly identical. Both patents claim a "patient identification
15 and verification system" comprising (1) "programmed system
16 computer means for processing and storing patient data," (2) a
17 "microprocessor controlled portable handheld patient terminal
18 means" that further includes "barcode reader means," "display
19 means," and "keyboard means," and (3) "microprocessor controlled
20 base station means" which is wired to the programmed system
21 computer means and which includes "electromagnetic wave
22 transceiver means" for communication with the portable handheld.
23 (TX B-00036 and TX Q-00051-52.)

24 34. The only significant variation between the '372 and
25 '716 patents is that the "base station means" in the '716 patent
26 includes a "programmable unique identifier" and "means for only
27 allowing communication with a portable handheld patient terminal
28 means having a corresponding program identifier," elements not

1 present in the '372 claims. (TX B-00037 at col. 31:2-11.)

2 **CONCLUSIONS OF LAW**

3 **A. Legal Standard**

4 35. Stated generally, patent applicants and their patent
5 attorneys have a duty of candor, good faith and honesty in their
6 dealings with the PTO. 37 C.F.R. § 1.56(a) (1989). The duty of
7 candor, good faith and honesty includes the duty to submit
8 truthful information and the duty to disclose to the PTO
9 information known to the patent applicants or their attorneys
10 which is material to the examination of the patent application.

11 Elk Corp. of Dallas v. GAF Bldg. Materials Corp., 168 F.3d 28, 30
12 (Fed. Cir. 1999); 37 C.F.R. § 1.56(a) (1989). The duty of candor
13 extends throughout the patent's entire prosecution history. Fox
14 Industries v. Structural Preservation Systems, Inc., 922 F.2d
15 801, 803 (Fed. Cir. 1991).

16 36. Breach of the duty of candor, good faith and honesty
17 may constitute inequitable conduct. Id. If it is established
18 that a patent applicant engaged in inequitable conduct before the
19 PTO, the entire patent application so procured is rendered
20 unenforceable. Kingsdown Medical Consultants, Ltd. v. Hollister
21 Inc., 863 F.2d 867, 877 (Fed. Cir. 1988).

22 37. To establish inequitable conduct due to the failure to
23 disclose material information or the submission of false
24 information, the party raising the issue must prove by clear and
25 convincing evidence⁴ that (1) the information is material; (2)

27 ⁴ The clear and convincing standard of proof of facts is
28 an intermediate standard which lies somewhere between "beyond a
(continued...)

1 the knowledge of this information and its materiality is
2 chargeable to the patent applicant; and (3) the applicant's
3 submission of false information or its failure to disclose this
4 information resulted from an intent to mislead the PTO. Id.

5 38. Information is deemed material if there is a
6 substantial likelihood that a reasonable examiner would have
7 considered the material important in deciding whether to issue
8 the application as a patent. See Elk Corp., 168 F.3d at 31; 37
9 C.F.R. § 1.56(a). Accordingly, a reference does not have to be
10 prior art to be material information that must be disclosed to
11 the PTO. See 37 C.F.R. § 1.56(a) (1989). "The [information]
12 need only be within a reasonable examiner's realm of
13 consideration." Merck & Co., Inc. v. Danbury Pharmacal, Inc.,
14 873 F.2d 1418, 1421 (Fed. Cir. 1989).

15 39. Disclosure is required where the materiality of the
16 information is in doubt because "[c]lose cases should be resolved
17 by disclosure, not unilaterally by the applicant." LaBounty
18 Mfg., Inc. v. United States Int'l Trade Comm., 958 F.2d 1066,
19 1076 (Fed. Cir. 1992).

20 40. "[A]n otherwise material reference need not be
21 disclosed if it is merely cumulative of or less material than
22 other references already disclosed." Elk Corp., 168 F.3d at 31.

23 41. Intent to deceive is rarely established by direct
24 evidence, and therefore, may be inferred from the facts and

25
26 ⁴(...continued)
27 reasonable doubt" and a "preponderance of the evidence."
28 Addington v. Texas, 441 U.S. 418, 425 (1979). Clear and
convincing evidence requires proof that a contention is "highly
probable." Colorado v. New Mexico, 467 U.S. 310, 316 (1984).

1 circumstances surrounding the applicant's overall conduct.

2 Molins PLC v. Textron, Inc., 48 F.3d 1172, 1180 (Fed. Cir. 1995)

3 (intent to deceive is most often proven "by a showing of acts,

4 the most natural consequence of which are presumably intended by

5 the actor"). For example, "intent may be inferred where a patent

6 applicant knew, or should have known, that withheld information

7 would be material to the PTO's consideration of the patent

8 application." Critikon, Inc. v. Becton Dickinson Vascular

9 Access, Inc., 120 F.3d 1253, 1256 (Fed. Cir. 1997). In

10 determining whether the applicant's overall conduct evidences an

11 intent to deceive the PTO, the Federal Circuit has emphasized

12 that "the involved conduct, viewed in light of all the evidence,

13 including evidence indicative of good faith, must indicate

14 sufficient culpability to require a finding of intent to

15 deceive." Paragon Podiatry Laboratory, Inc. v. KLM Laboratories,

16 Inc., 984 F.2d 1182, 1189 (Fed. Cir. 1993) (internal quotations

17 and citation omitted).

18 42. While "materiality does not presume intent, which is a

19 separate and essential component of inequitable conduct," Allen

20 Eng'g Corp. v. Bartell Indus., Inc., 299 F.3d 1336, 1352 (Fed.

21 Cir. 2002) (internal quotation marks and citation omitted), the

22 materiality of a reference may lead to an inference of intent.

23 Bruno Indep. Living Aids, Inc. v. Acorn Mobility Servs., 394 F.3d

24 1348 (Fed. Cir. 2005) ("in the absence of a credible explanation,

25 intent to deceive is generally inferred from the facts and

26 circumstances surrounding a knowing failure to disclose material

27 information"). "Intent to deceive, however, cannot be 'inferred

28 solely from the fact that information was not disclosed;' there

1 must be a factual basis for a finding of deceptive intent.”
2 Purdue Pharma L.P. v. Endo Pharm., 438 F.3d 1123, 1133-34 (Fed.
3 Cir. 2006).

4 43. Moreover, if the failure to disclose or
5 misrepresentation occurred due to “[s]imple negligence,
6 oversight, or an erroneous judgment made in good faith,” the
7 intent element is not satisfied. See Speciality Composites v.
8 Cabot Corp., 845 F.2d 981, 982 (Fed. Cir. 1988). A finding of
9 “gross negligence,” likewise, “does not itself justify an
10 inference of intent to deceive.” Kingsdown, 863 F.2d at 876.
11 However, a patent applicant cannot “cultivate ignorance, or
12 disregard numerous warnings that material information or prior
13 art may exist, merely to avoid actual knowledge of that
14 information or prior art.” FMC Corp. v. Hennessy Industries,
15 Inc., 836 F.2d 521, 526 n.6 (Fed. Cir. 1987).

16 44. Once materiality and intent have been established, the
17 court must conduct a balancing test to determine “whether the
18 scales tilt to a conclusion that ‘inequitable conduct’ occurred.”
19 Critikon, 120 F.3d at 1256. Generally, “when the
20 misrepresentation or withheld information is highly material, a
21 lesser quantum of proof is needed to establish the requisite
22 intent, . . . In contrast, the less material the information, the
23 greater the proof must be.” Purdue Pharma L.P., 438 F.3d at
24 1128-29 (internal citations omitted).

25 45. Ultimately, the question of whether inequitable conduct
26 occurred is equitable in nature. The court must make the
27 “equitable judgment concerning whether the applicant’s conduct is
28 so culpable that the patent should not be enforced.” Life

1 Techns., Inc. v. Clontech Labs., Inc., 224 F.3d 1320, 1324 (Fed.
2 Cir. 2000). During this step of the analysis, the court
3 determines "whether the material misrepresentations or omissions
4 in question are sufficiently serious in light of the evidence of
5 intent to deceive, under all the circumstances, to warrant the
6 severe sanction of holding the patent unenforceable." Hoffman-La
7 Roche, Inc. v. Promega Corp., 323 F.3d 1354, 1372 (Fed. Cir.
8 2003).

9 **B. The Subject Conduct in the '716 Patent Prosecution**

10 46. Having considered the evidence presented at trial, and
11 the law governing the factual determinations of materiality and
12 intent, the court finds that Bridge has proven materiality and
13 intent by clear and convincing evidence with respect to three
14 categories of information Mr. Schumann withheld from Examiner
15 Trafton during the '716 patent's prosecution: (1) the Baker
16 patent, (2) the rejections by Examiner Lev in the
17 '009 prosecution, and (3) the allowance of the '372 patent.

18 **1. Nondisclosure of the Baker Patent**

19 **a. Materiality**

20 47. An examiner's reliance on a prior art reference in a
21 related prosecution supports a finding of materiality. See
22 Molins PLC v. Textron, Inc., 48 F.3d 1172, 1180 (Fed. Cir. 1995)
23 (affirming holding of materiality where one set of patent
24 examiners considered a prior art reference material). Similarly,
25 here, Examiner Lev in the copending '009 prosecution brought the
26 Baker patent to Mr. Schumann's attention during a telephonic
27 interview and recommended that claims 19-24 of that application
28 be cancelled in light of the Baker patent. (TX X-00062.) Up

1 until that interview, Mr. Schumann had cited the same 38 prior
2 art references in the '716 and '009 prosecutions. (TT 105:1-10.)

3 48. Indeed, Mr. Schumann testified that Examiner Lev's
4 reliance on the Baker patent supports a finding of materiality:

5 Q. My question to you is: If the examiner in the primary
6 copending application had the exact same prior art in front
7 of him and the examiner in the co-pending application used
8 an additional piece of prior art to reject claims that were
substantially similar, that piece of prior art would be
material and should be cited back to the primary
application, shouldn't it?

9 A. If the same art had been before the examiners and the
claims are substantially similar, probably a pretty good
10 indication that the reference would be pretty material, yes.

11 (TT 58:4-13.)

12 49. Moreover, Examiner Lev not only brought the Baker
13 patent to Mr. Schumann's attention, he ultimately rejected claims
14 20 and 22-24 in the '009 prosecution because of Baker. (TX X-
15 00066-67.) Specifically, rejected Claim 20 involved a portable
16 handheld terminal with a "unique address signal," and rejected
17 claims 22-24 involved methods of transmitting patient information
18 from a handheld to a base station using a "unique address
19 recognizable by a base station programmed to accept patient
20 related information containing the unique address." (TX X-00056-
21 57.) Examiner Lev found that the Baker patent rendered the
22 address code in the portable handheld obvious. (TX X-00066-67.)

23 50. In his testimony, Mr. Schumann confirmed that the
24 limitations Examiner Lev rejected were also present in the '716
25 application he was prosecuting concurrently:

26 Q. The unique address code existed in both claims, the
claims in both patents; right?
27
28

1 A. Was an element in some of the claims, yes.

2 Q. Examiner Lev found that Baker rendered that obvious,
3 the address code?

4 A. He found that our claims to a portable handheld
5 terminal were not allowable in view of the Baker
6 reference for those specific claims, not the others.

7 Q. You had a portable handheld terminal as part of the
8 716 claim; right?

9 A. Yes. A portable handheld terminal as part of the 716
10 claims.

11 Q. You had a unique address as part of the 716 claims?

12 A. That is one of the aspects.

13 (TT 128:25-129:13.)

14 51. Therefore, in light of Examiner Lev's citation of the
15 Baker patent in the copending '009 prosecution (in which Mr.
16 Schumann had previously disclosed the identical prior art as in
17 the '716 prosecution), and Examiner Lev's reliance on the Baker
18 patent to reject claim limitations that were also present in the
19 '716 application, the court finds that the Baker patent meets the
20 "reasonable examiner" materiality standard and should have been
21 disclosed to Examiner Trafton.⁵

22 ⁵ McKesson at times blurred the distinction between the
23 tests for the materiality of the prior art Baker patent, and for
24 the materiality of Examiner Lev's rejections in the copending
25 '009 prosecution, discussed *infra*. The "Dayco test" (also
26 discussed *infra*) requiring "substantially similar" claims relates
27 to the materiality of the rejections, and confirms that those
28 rejections are material. The "substantial similarity" between the
rejected '009 claims and the '716 claims is relevant to, but is
not determinative of, the Baker patent's materiality. There is
no requirement that a prior art reference be used to reject
"substantially similar" claims in order to be material.
Moreover, the prior art reference itself need not exhibit any
specific threshold level of "similarity" with the patent at issue
to be relevant. Critikon, 120 F.3d at 1258 (reversing
non-materiality finding where the prior art was

(continued...)

1 52. Additionally, the court also finds the Baker patent
2 material because it contradicts the position Mr. Schumann took in
3 arguing for issuance of the '716 patent. See Critikon, 120 F.3d
4 at 1258. In Critikon, the Federal Circuit reversed the district
5 court's findings of non-materiality and lack of intent, in a case
6 where a prior art patent had been withheld from the Examiner.
7 The Federal Circuit found that, even though the undisclosed
8 patent overall was "substantially different" from the patent at
9 issue, it was material because it included a "retaining means,"
10 and the patentee had "relied on the novelty of the 'retaining
11 means' . . . to gain allowance of the patent application." Id.;
12 see also Hoffman-La Roche, 323 F.3d at 1368 (a "reasonable
13 examiner would have wanted to know that the patentability
14 argument" made by the patentee was actually unsupported by their
15 experimental results, and thus those results were material).

16 53. In this case, the Baker patent includes the features
17 relied upon by Mr. Schumann to argue for patentability of the
18 '716 patent. In responding to an Office Action, Mr. Schumann
19 told Examiner Trafton that:

20 None of the references either singularly or in
21 combination teach or suggest the claimed invention. In
22 addition to numerous other differences, none of the
23 references teach the three node approach to
24 communications as provided in the claimed invention. In
25 the present invention, the first node of communication
is a main or central computer . . . The second node of
communication are the base stations which are wired to the
main computer . . . The third node of communication in the
present invention is the portable handheld patient terminal
which cooperates with the base stations to provide for

26
27

⁵(...continued)
28 "substantially different" and "operate[d] differently," but
"nonetheless [had] relevant features").

1 wireless transmission of data between the base station
2 and the patient terminal.

3 (TX W-00124.) Mr. Schumann could not have made this
4 patentability argument if Examiner Trafton had the opportunity to
5 consider the Baker patent. Both parties' experts agreed that the
6 Baker patent teaches a three-node approach to communications
7 similar to that claimed in the '716 patent. (TT 264:5-265:22
8 [Dr. Fagan]; TT 446:1-18 [Dr. Bims].) Indeed, in the '716
9 patent's three nodes are plainly depicted in the Baker patent's
10 Figure 1. (TX AA-00002.) Accordingly, the court finds that, as
11 Dr. Lawrence Fagan testified, Mr. Schumann's representation to
12 Examiner Trafton, above, would be inaccurate had the Baker patent
13 been added to the mix of prior art. (TT 282:1-24.) Thus, for
14 all of the reasons stated above, the court finds the Baker patent
15 was highly material prior art to the '716 prosecution.

16 54. McKesson raised several arguments why the Baker patent
17 should be found not material. The court rejects those arguments
18 for the following reasons:

19 55. First, the Baker patent is not cumulative of the other
20 prior art cited to Examiner Trafton in the '716 prosecution.
21 McKesson's legal expert, Thomas Smegal ("Mr. Smegal"), opined
22 that Baker is cumulative because one could find all of its
23 elements by combining two other prior art references, the Blum
24 and Hawkins patents. (TT 497:5-498:1.) However, this is not the
25 standard for materiality.

26 56. A withheld reference is not cumulative and may be
27 "highly material when it discloses a more complete combination of
28 relevant features, even if those features are before the patent

1 examiner in other references.” Semiconductor Energy Lab. Co. v.
2 Samsung Elecs. Co., 204 F.3d 1368, 1374 (Fed. Cir. 2000). The
3 Baker patent is not cumulative under this controlling standard.

4 57. Initially, the court finds significant that Examiner
5 Lev, who already had both the Blum and Hawkins patents before him
6 (TX X-00130), added the Baker patent to the mix of prior art in
7 the '009 prosecution, and then relied on it in rejecting claims
8 to a portable handheld terminal, as discussed above. Clearly,
9 Examiner Lev did not view Baker as cumulative, but rather treated
10 it as an important *addition* to the prior art previously cited by
11 Mr. Schumann.

12 58. Furthermore, as the court found above, the Baker patent
13 more explicitly and clearly discloses a three-node wireless
14 communications system than either the Blum or Hawkins patents.
15 Accordingly, the Baker patent is not cumulative because
16 admittedly “no reference before the examiner disclosed this
17 combination of required elements.” GFI, Inc. v. Franklin Corp.,
18 265 F.3d 1268, 1274 (Fed. Cir. 2001).

19 59. Also, the court is not called upon to determine whether
20 the Baker patent would have affirmatively invalidated the '716
21 patent. While Bridge did present such evidence from Dr. Fagan
22 (TT 276:16-281:3), prior art can be material even where it would
23 not invalidate a patent. Molins, 48 F.3d at 1180. The question
24 is whether a reasonable examiner would have been substantially
25 likely to consider the Baker patent important to the evaluation
26 of the '716 application. Given the similarity of the core
27 features of the Baker patent to the subject matter of the '716
28 patent, it certainly meets that level of interest. See Akron

1 Polymer Container Corp. v. Exxel Container, Inc., 148 F.3d 1380,
2 1382 (Fed. Cir. 1998) (concluding that in light of the
3 "considerable overlapping content in the specifications and
4 claims of the two applications . . . the Venus application was
5 highly material").

6 60. McKesson also argued that Baker was not material
7 because it related to a cordless telephone system, rather than a
8 system for transmitting and storing medical patient data. (See
9 McKesson Information Solutions Inc.'s Trial Brief for Phase 1
10 Trial on Inequitable Conduct [Docket No. 638] at 10:13-17; TT
11 246:24-247:1.) This narrow view of materiality is belied by Mr.
12 Schumann's own testimony and his conduct in prosecuting the
13 copending patent applications. The 33 prior art patents that Mr.
14 Schumann did disclose to both the '716 and '009 examiners
15 included patents relating to "monitoring test animal
16 activity," a "security system," and a "theft detection system."
17 (TX V 00069-70; TX W 00095-96.) None of these related to patient
18 identification systems, yet Mr. Schumann disclosed them in
19 accordance with his duty of good faith and candor toward the PTO.
20 (TX W-00093, TX V-00068.) Moreover, Mr. Schumann cited as
21 relevant at least five cordless telephone references to the '716
22 Examiner. (TX W 00105-00107.) As Mr. Schumann testified at
23 trial, patents can be material where there is "a different
24 application even though the underlying technology might be
25 relevant to the case that you're handling." (TT 89:24-90:1.)
26 Furthermore, McKesson's expert, Dr. Bims, confirmed that "three
27 node wireless systems which are used for realtime interactive
28 exchange of data"--such as disclosed in the Baker patent--are

1 material from a scientific standpoint. (TT 463:13-464:10.)
2 Finally, Examiner Lev's reliance on the Baker patent in issuing
3 rejections, discussed above, additionally confirms that wireless
4 technology, whether or not applied in the medical field, meets
5 the "reasonable examiner" test in this case.

6 **b. Intent**

7 61. Having determined that the Baker patent is highly
8 material and not cumulative, the court next addresses whether
9 Bridge has established intent to deceive by clear and convincing
10 evidence.

11 62. The overwhelming circumstantial evidence, combined with
12 Mr. Schumann's failure to provide a credible explanation
13 for the nondisclosure, leads the court to find that Bridge has
14 proven intent by clear and convincing evidence on multiple,
15 alternative grounds.

16 63. First, the Federal Circuit's decision in Bruno Indep.
17 Living Aids, Inc. v. Acorn Mobility Servs., 394 F.3d 1348 (Fed.
18 Cir. 2005), is instructive here. In Bruno, a prior art stairlift
19 ("the Wecolator") was not disclosed to the PTO during prosecution
20 of the patent-in-suit. It was, however, concurrently disclosed
21 to the FDA in seeking approval to sell a product covered by the
22 patent. Id. at 1350. The Federal Circuit affirmed the judgment
23 of unenforceability, stating: "[t]he fact that an official of
24 Bruno, who was involved in both the FDA and PTO submissions,
25 chose to disclose the Wecolator to the FDA, but not to the PTO,
26 certainly supports a finding of deceptive intent." Id. Here,
27 the circumstantial evidence of intent is even stronger than in
28 Bruno. There, the applicant's knowledge of materiality was

1 inferred from disclosure to the FDA. In this case, Mr. Schumann
2 was informed of the Baker patent's materiality by the PTO itself
3 when Examiner Lev brought the patent to his attention, suggested
4 cancellation of certain claims, and then rejected claims as
5 obvious in light of Baker--including claim elements that were
6 present in the '716 application.

7 64. Mr. Schumann's knowledge that the Baker patent was
8 material is further confirmed by his disclosure of the patent to
9 Examiner Yusko in the copending '441 prosecution. (TX Y-00079.)
10 Under Bruno, this simultaneous withholding from one examiner
11 while disclosing to another examiner supports an inference of
12 deceptive intent. See also Molins, 48 F.3d at 1182 ("[f]ailure
13 to cite to the PTO a material reference cited elsewhere in the
14 world justifies a strong inference that the withholding was
15 intentional").

16 65. Second, the timing of Mr. Schumann's telephone
17 conference with Examiner Lev provides additional support for
18 inferring deceptive intent. The call took place on October 23,
19 1987 during which Examiner Lev discussed only one piece of prior
20 art (the Baker patent), and suggested cancellation of several
21 claims in the '009 application based on Baker. (TX X-00062.) It
22 was only seventeen days earlier that Mr. Schumann had made the
23 representation to Examiner Trafton that the prior art does not
24 disclose the "three-node approach to communications" as provided
25 in the claimed invention. (TX W-00124.) Mr. Schumann could not
26 have (or certainly should not have) missed Baker's significance,
27 given that it rendered his recent statement to Examiner Trafton
28 untrue, further confirming that intent to deceive should be

1 inferred. See, e.g., GFI, 265 F.3d at 1275 ("[w]e have
2 held deceptive intent to be shown where a patentee withheld
3 references and made an argument for patentability that could not
4 have been made had the art been disclosed"); LaBounty Mfg., 958
5 F.2d at 1076 (superseded on other grounds by revision to Rule
6 1.56) ("[T]he evidence amply supports an inference that LaBounty
7 acted with culpable intent to mislead or deceive the PTO by
8 withholding its own known prior art devices and by making an
9 argument for patentability which could not have been made had the
10 art been disclosed.").

11 66. Third, Mr. Schumann admits that he knew that his duty
12 to disclose material information in the '716 prosecution
13 continued until that patent issued on August 15, 1989.

14 (TT 50:23-51:2.) After learning of the Baker patent on October
15 23, 1987 from Examiner Lev, Mr. Schumann continued to actively
16 prosecute the '716 patent for another 22 months until his
17 admitted duty of disclosure expired. (See TT 127:6-16.) During
18 this extended period of time when Mr. Schumann did nothing to
19 bring Baker to the attention of the '716 examiner, Examiner
20 Lev again highlighted the materiality of Baker for Mr. Schumann
21 when he rejected the copending '009 patent claims based on Baker.

22 (TT 125:5-8; TX X-00066-67.) Also during this period, Mr.
23 Schumann himself evidenced his realization of the strength of the
24 Baker patent when he chose not to even attempt to overcome
25 Examiner Lev's rejection based on Baker and cancelled the
26 claims in the '009 application that were rejected due to Baker.

27 (TT 131:8-132:1; TX X-00077.) Given that the features Mr.
28 Schumann cancelled in the '009 prosecution because of Baker

1 included, according to Mr. Schumann's own admission, aspects of
2 the invention under review in the '716 prosecution
3 (TT 128:25-129:13), Mr. Schumann either knew or should have known
4 that the Baker patent was material in the '716 case. For this
5 reason as well, deceptive intent is established. See, e.g.,
6 Brasseler, U.S.A. I., L.P. v. Stryker Sales Corp., 267 F.3d 1370,
7 1376 (Fed. Cir. 2001) ("intent may be inferred where a patent
8 applicant knew, or should have known, that withheld information
9 could be material to the PTO's consideration of the patent
10 application").

11 67. Fourth, Mr. Schumann did not proffer a single "credible
12 explanation" for his failure to disclose the Baker patent to
13 Examiner Trafton. Ferring B.V. v. Barr Labs., Inc., 437 F.3d
14 1181, 1191 (Fed. Cir. 2006); Bruno, 394 F.3d at 1354. Mr.
15 Schumann's most prominent "explanation" is that looking at the
16 Baker reference now, he believes it is cumulative.
17 (TT 221:17-21.) Not only does the court find Baker not
18 cumulative for the reasons set forth above, such "contemporaneous
19 evidence that he did not believe [Baker] material" cannot explain
20 away an inference of an "intent to mislead." Bristol-Myers
21 Squibb Co. v. Rhone-Poulenc Rorer, Inc., 326 F.3d 1226, 1241
22 (Fed. Cir. 2003) ("Mr. Pilard's assessment occurred after the
23 issuance of the '011 patent and, thus, does not shed light on . .
24 . intent with regard to the prosecution of the '011 patent
25 application"). Mr. Schumann repeatedly testified that he has no
26 recollection whatsoever of prosecuting the '716 patent (TT
27 212:2-5; 218:2-6; 222:1-22), leaving the record wanting of the
28 required evidence of an explanation *contemporaneous* with the

1 prosecution of the '716 patent. See also Brasseler, 267 F.3d at
2 1377 (affirming explanation as "incredible" where patentee "could
3 not recall having discussed any potential bar events" material to
4 the prosecution of the patent-at-issue).

5 68. Even if the "hindsight" explanation offered by Mr.
6 Schumann could suffice as a legal matter, the court does not find
7 it credible. Mr. Schumann suggested that he must have analyzed
8 the Baker patent and determined that it was not material to the
9 '716 patent. (TT 246:14-20 ["I've got to assume it was
10 reviewed for materiality and a decision was made not to cite
11 it."]). But there is no evidence that such an analysis actually
12 took place. No notes or records from Mr. Schumann's files were
13 offered documenting that Mr. Schumann either reviewed Baker or
14 made an affirmative decision that it was not material to the '716
15 prosecution. Moreover, based on the following sequence of
16 events, Mr. Schumann's explanation strains credulity:

17 (1) Examiner Lev located the Baker patent on his own; (2) he
18 brought it to Mr. Schumann's attention in a telephone interview;
19 (3) he suggested the cancellation of certain '009 claims, and
20 then issued a rejection of those claims based in part on Baker;
21 (4) shortly thereafter, Mr. Schumann found that the rejection
22 based on Baker could not be overcome, requiring him to cancel the
23 claims (regarding a handheld patient terminal system
24 communicating wirelessly with base stations and via wires with a
25 remote central computer) in order to continue with the '009
26 prosecution; (5) finally, even though Mr. Schumann had disclosed
27 the same prior art in both the '009 and '716 prosecutions through
28 that point in time, he concluded that the Baker patent had no

1 bearing on the '716 prosecution (which involved the same
2 three-node wireless system rejected in the '009 prosecution).

3 69. Furthermore, the notion that Mr. Schumann might have
4 made a materiality determination regarding the Baker patent and
5 not produced it based on that assessment is also belied by the
6 very practices and procedures he purportedly always followed.
7 Mr. Schumann repeatedly testified that his practice was to be
8 "over inclusive" and to "bend[] over backwards to make sure [he]
9 got everything into the case." (TT 86:2-10; 169:18-19). Thus,
10 Mr. Schumann's explanation that he cut a very fine line in the
11 instance of the Baker patent is simply not credible.

12 70. In sum, this case bears strong similarity to Critikon,
13 Inc. v. Becton Dickinson Vascular Access, Inc., 120 F.3d 1253,
14 1256 (Fed. Cir. 1997). In Critikon, the applicant had failed to
15 disclose a prior art patent ("the McDonald patent") to the PTO
16 during prosecution, but the district court found both materiality
17 and intent lacking at the conclusion of a bench trial. The
18 Federal Circuit reversed on both issues, and entered judgment of
19 unenforceability. Id. at 1260. Like the Baker patent in this
20 case, the McDonald patent was material despite being
21 "substantially different" from the claimed invention, because it
22 included a claim limitation the patentee had relied on in arguing
23 for patentability. Id. at 1258. Given the high degree of
24 materiality, and the applicant's undisputed knowledge of that
25 materiality, the Federal Circuit held that:

26 A relatively high degree of intent may be inferred
27 under the facts of this case. Critikon was aware of the
McDonald Patent. It was aware that the 'retaining means'
was a point of novelty the examiner relied upon during
the course of prosecution And, despite this, it

1 did not disclose the patent or provide a good faith
2 explanation for not disclosing the patent.

3 Id. at 1256. Similar to Mr. Schumann's reasons here, one
4 patentee in Critikon argued that he believed the prior art
5 reference was not material, and the other claimed he could not
6 remember it. Id. The Federal Circuit rejected these
7 "explanations," because there was evidence the patentees were
8 aware of the McDonald patent's materiality, since they had "cited
9 the McDonald patent to the PTO in several other patent
10 proceedings," just like Mr. Schumann did when he submitted the
11 Baker reference in the '441 prosecution. Id. While the district
12 court in Critikon had found the applicants' testimony "credible
13 under the totality of the circumstances," the Federal Circuit
14 rejected this finding as unsupported and noted that the record
15 "does not reveal a single instance where [the applicants]
16 provided a good faith explanation for the exclusion." Id. at
17 1257. On these facts, the Federal Circuit reversed the judgment
18 of enforceability and found the patent at issue unenforceable.
19 Id. at 1258.

20 71. Given the Federal Circuit's guidance in Critikon, the
21 court infers deceptive intent here.

22 72. Based on any one of the foregoing reasons, the evidence
23 overwhelmingly establishes that Mr. Schumann knew of the Baker
24 patent, knew or should have known that it could be material to
25 the '716 prosecution, and yet withheld that prior art from
26 Examiner Trafton. Under the totality of circumstances, the court
27 finds that Mr. Schumann failed to disclose the Baker patent in
28 the '716 prosecution under circumstances proving an intent to

deceive.

2. Nondisclosure of the Rejections in the '009 Prosecution

a. Materiality

73. While Mr. Schumann's failure to disclose the Baker reference "alone supports unenforceability," GFI, 265 F.3d at 1275, a finding of unenforceability of the '716 patent is further supported by Mr. Schumann's failure to inform Examiner Trafton of two adverse Office Actions by Examiner Lev in the '009 prosecution. Said Office Actions, namely, the rejections of certain '009 claims, were material to the '716 prosecution.

74. The law requires that material rejections in one prosecution be disclosed to the examiner in a copending case. As stated by the Federal Circuit in Dayco Products, Inc. v. Total Containment, Inc., 329 F.3d 1358, 1368 (Fed. Cir. 2003):

When prosecuting claims before the Patent Office, a patent applicant is, at least implicitly, asserting that those claims are patentable. A prior rejection of a substantially similar claim refutes, or is inconsistent with the position that those claims are patentable. An adverse decision by another examiner, therefore, meets the materiality standard.

McKesson repeatedly has asserted that the 2003 Dayco decision created a new disclosure requirement that does not apply to Mr. Schumann's prosecution of the '716 patent in the 1980s. The court rejected that argument in its ruling on the parties' cross-motions for summary judgment on the issue of inequitable conduct, and rejects it again here.⁶ The materiality of an Office Action

⁶ See Mem. & Order, filed Aug. 11, 2005 (Docket #533), at 10 n.8: "In Dayco Prods., the court simply stated that it 'had never addressed whether the prior rejection of a substantially (continued...)

1 stems from the Manual of Patent Examination and Procedure
2 ("MPEP") provision requiring disclosure of "information within
3 [the applicants'] knowledge as to other copending United States
4 applications which are 'material to the examiner' of the
5 application in question,"--a provision in existence since before
6 any of the applications here were filed. See MPEP § 2001.06(b)
7 (4th Ed., Rev. 8, Oct. 1981) (quoting 37 C.F.R. 1.56 ("Rule
8 56")).

9 75. The principle requiring disclosure of material events
10 during prosecution, including rejections, had been recognized
11 prior to Dayco. See, e.g., Li Second Family Ltd. P'ship v.
12 Toshiba Corp., 231 F.3d 1373 1380-81 (Fed. Cir. 2000) (affirming
13 inequitable conduct judgment based in part on failure to disclose
14 decision of PTO Board of Appeals in copending application);
15 Golden Valley Microwave Foods, Inc. v. Weaver Popcorn Co., 837 F.
16 Supp. 1444, 1474 (N.D. Ind. 1992) (finding inequitable conduct
17 based on failure to disclose rejection in copending case).
18 The Federal Circuit in Dayco applied this rule to patents that
19 were, like the '716 patent, prosecuted in the 1980s. Indeed,
20 McKesson's own legal expert, Mr. Smegal, a former patent examiner
21 with 40 years' experience prosecuting patents (TT 465:10-466:24),
22 testified that Dayco did not create a new duty of disclosure.
23 (TT 532:12-14.)

24
25 ⁶(...continued)
26 similar claim in a copending United States application is
27 material; it did not make that finding in the first instance.
28 Rather, it applied the duty to disclose such information, as
embodied in 37 C.F.R. § 1.56(b)(2), to conduct that had occurred
more than a decade earlier. As such, Dayco Prods. is not
dispositive of the materiality of this nondisclosure."

1 76. Having determined that the rule requiring disclosure of
2 material rejections applies in this case, the court turns to
3 whether Examiner Lev's two rejections in the '009 prosecution
4 were material and should have been disclosed to Examiner Trafton
5 in the '716 prosecution. Under Dayco, the rejections are
6 material if the rejected claims were "substantially similar" to
7 the claims pending before Examiner Trafton.⁷ Dayco, 329 F.3d at
8 1368. McKesson relied on "redline" comparisons of the various
9 claims to demonstrate that there are wording differences, and
10 even some differences in claim limitations, but the law does not
11 require that the claims be completely identical to trigger the
12 disclosure requirement. Dayco, 329 F.3d at 1361 (finding
13 claims "substantially similar" when the "claims submitted in the
14 '196 family of applications were in *some respects* substantially
15 identical") (emphasis added). Similarly, here, the rejected '009
16 claims were "in some respects" identical to the '716's Claim 1,
17 directly implicating the materiality of the '009 rejections to
18 the '716 prosecution.

19 77. The court has found, above, that the rejected '009
20 claims were "substantially similar" to the '716's Claim 1. As
21 such, applying the controlling law, the court finds that Mr.

22 ⁷ McKesson argues that Dayco requires that the rejected
23 claims be substantially similar "*in content and scope*"
24 to the '716 claims. However, this language does not appear in
25 the Dayco holding: "We hold that a contrary decision of another
26 examiner reviewing a *substantially similar claim* meets the . . .
27 'reasonable examiner' threshold materiality test." 329 F.3d at
28 1368 (emphasis added). Moreover, McKesson has not provided any
persuasive explanation for how this language substantively alters
the result here. Accordingly, in determining materiality, the
court applies the test of whether the rejected '009 claims were
"substantially similar" to the '716 claims.

1 Schumann should have disclosed the adverse Office Actions in the
2 '009 prosecution to Examiner Trafton. Specifically, with respect
3 to the first Office Action on February 26, 1987, rejected claims
4 15 and 16 of the '009 patent substantially overlapped with the
5 limitations of Claim 1 of the '716 patent, and accordingly, that
6 rejection would have been material to Examiner Trafton. Indeed,
7 these two rejected '009 claims disclosed all three nodes of the
8 '716's patient identification system, with the identical means of
9 communication among the core structures. A reasonable examiner
10 would consider the fact that Examiner Lev had rejected claims
11 containing these very elements important.

12 78. Additionally, in the second Office Action of December
13 1, 1987, rejected '009 claims 19, 21, 22 and 23 were
14 substantially similar to the '716's Claim 1, thus making
15 Examiner's Lev's second rejection material to the '716
16 prosecution. Moreover, this second rejection was particularly
17 material to the '716 prosecution because Examiner Lev relied on
18 the Baker patent, which had not been disclosed in the '716
19 prosecution, to reject the "unique address" limitation of the
20 '009 claims, which was also a limitation of the '716 patent. Mr.
21 Schumann did not contest this rejection, but instead cancelled
22 the '009 claims that Examiner Lev had rejected over the Baker
23 patent "in an effort to obtain early allowance of at least some
24 claims to the invention." (TX X-00077.) The court finds this
25 information highly material--a reasonable examiner would find it
26 important that (1) another examiner had rejected a claim
27 limitation that he himself was considering, (2) that another
28 examiner had done so based on prior art that was not before him,

1 and (3) the applicant had acquiesced in the rejection and
2 cancelled all claims that had been rejected based on that same
3 prior art.

4 79. Beyond meeting the Dayco "substantially similar" test,
5 the two rejections by Examiner Lev are material for the
6 independent reason that they contradict Mr. Schumann's
7 argument for patentability in the '716 prosecution. See Bruno,
8 394 F.3d at 1353 ("Had the examiner known about the Wecolator,
9 however, Bruno could not have touted the front offset
10 swivel as a point of novelty."). In responding to Examiner
11 Trafton's rejection of every claim of the '716 application, Mr.
12 Schumann attempted to distinguish the prior art and argued that
13 the '716 invention was novel and patentable because it
14 encompassed a three-node approach to communications, with
15 a central computer wired to the base stations, which then
16 communicated wirelessly with the portable handheld patient
17 terminals. (TX W-00124.) Examiner Lev rejected as obvious this
18 very combination of elements at least three times. Claim 16,
19 rejected in the first Office Action, claimed a "central
20 computer system electrically wired to the base station means,"
21 and the base station means included "means for wireless
22 communication with the portable handheld terminal." (TX X-
23 00118.) Amended Claims 15 and 16, rejected by Examiner Lev on
24 December 1, 1987, included "base station means including RF
25 transceiver means for communication with the portable
26 handheld terminal," and "a central computer system electrically
27 wired to the base station means." (TX X-00054-55.) Finally,
28 Claim 21, rejected on December 1, 1987, claimed electromagnetic

1 (i.e. wireless) transmission of data between a handheld terminal
2 and a base station, and data over voice (i.e. wired) transmission
3 of data between the base station and a central computer. (TX X-
4 00056-57.) Examiner Lev's repeated rejection of this combination
5 of elements directly conflicted with Mr. Schumann's patentability
6 argument to Examiner Trafton.

7 80. In sum, the February 27, 1987 and December 1, 1987
8 rejections in the '009 prosecution were material because (1) they
9 involved claims substantially similar to those pending
10 in the '716 application, and (2) they directly addressed the
11 point of novelty Mr. Schumann had advanced to Examiner Trafton.

12 81. The court rejects McKesson's contention that Mr.
13 Schumann satisfied his duty to disclose these two material
14 rejections by merely disclosing the existence of the copending
15 '009 application to Examiner Trafton. McKesson relies primarily
16 on Akron Polymer Container Corp. v. Exxel Container, Inc., 148
17 F.3d 1380 (Fed. Cir. 1998), for its position. In that case, the
18 charge of inequitable conduct turned on an attorney's failure to
19 disclose the copending application, itself, to an examiner. Id.
20 at 1381. In Akron Polymer there was no allegation of deceit
21 regarding rejections or other material information in either
22 application. Thus Akron Polymer is inapposite. Moreover,
23 contrary to McKesson's arguments, the MPEP requires far more than
24 disclosure of the copending application--it requires disclosure
25 of "information within [the applicants'] knowledge as to other
26 copending United States applications." MPEP § 2001.06(b)
27 (4th Ed., Rev. 8, Oct. 1981). That disclosure of a copending
28 application does not constitute disclosure of all information

1 regarding that application was confirmed by the Federal Circuit
2 in Li Second Family. There, the Federal Circuit affirmed a
3 finding of inequitable conduct for failure to disclose the
4 PTO Board's decision in a copending case, even though the
5 existence of the co-pending case had been disclosed:

6 Although the genealogy chart filed by Li shows the
7 chain of parent applications and related applications,
8 including the '758 application, we agree . . . that
9 the chart does not adequately disclose the relevant
information—the Board's decision regarding priority
dates. . . . Li's submission of the genealogy chart
. . . was not sufficient to disclose the Board's
decision to Examiner Saba.

10 231 F.3d at 1378-79. The controlling law plainly imposes a duty
11 of disclosure beyond citation of the co-pending application
12 alone. Indeed, McKesson's expert, Mr. Smegal, concurred and
13 testified that there is a duty to disclose material rejections.
14 (TT 492:24-493:4; 535:18-536:14.)

15 **b. Intent**

16 82. A patentee aware of material information but who fails
17 to disclose it to the PTO "can expect to have great difficulty in
18 establishing subjective good faith sufficient to overcome an
19 inference of intent to mislead." Bristol-Myers Squibb, 326 F.3d
20 at 1239. Mr. Schumann undeniably was aware of the rejections; he
21 responded to both of them. Moreover, he either knew or should
22 have known that they were material to the '716 application, given
23 that those rejections directly contradicted the point of novelty
24 Mr. Schumann had argued to Examiner Trafton regarding the '716
25 claims. Thus, Mr. Schumann must provide "facts supporting a
26 plausible justification or excuse" for the nondisclosure.
27 Paragon, 984 F.2d at 1191.

1 83. Here, Mr. Schumann offers two excuses for the
2 nondisclosure of the '009 rejections. The court does not find
3 either credible. First, Mr. Schumann speculates that he probably
4 did not believe activity in the '009 application was material to
5 the '716 prosecution because the '009 case involved only a
6 terminal, while the '716 involved an entire "system." (See TT
7 239:18-240:4; 155:21-156:20.) This excuse is contradicted by the
8 actual wording of the claims rejected by Examiner Lev, which, as
9 discussed above, included all of the elements of a three-node
10 wireless system. Further, Mr. Schumann admitted on cross
11 examination that his terminal/system argument was a
12 distinction without a difference. (TT 242:3-243:6.) Thus, the
13 terminal/system distinction is not accurate and does not overcome
14 the inference of deceptive intent that arises from Mr. Schumann's
15 withholding of known material information.

16 84. Second, Mr. Schumann attempts to justify his conduct by
17 explaining that he acted in conformance with his firm's policy at
18 the time.

19 Q. In your practice, do you follow that? Do you believe
20 that your duty of disclosure requires the disclosure of
21 a substantial - of a contrary decision regarding a
substantial[ly] similar claim in a copending
application?

22 A. I can tell you what the practice was over the 25 years
23 I've been in the practice. We did - we never did
24 docket a review of office actions coming in on a
co-pending case for citation in another copending
case.

* * *

26 Q. Isn't it true that you believe that if a rejection
27 in a co-pending application, the rejection itself, is
relevant to an application that you're prosecuting,
you have a duty to disclose that rejection even

if you've disclosed the existence of the co-pending application?

* * *

A. Given our operating standards, the way we handle applications back during the time in the eighties when this case was being prosecuted, we did not have procedures set up to cite the office action in a co-pending case. We looked at the references and we cited references which we felt were material.

(TT 41:11-19; 229:5-21.) Preliminarily, the court does not find Mr. Schumann's trial testimony credible, as it appears to be a product of newly developed hindsight. Indeed, Mr. Schumann contradicted his trial testimony in his deposition, testifying there that he *would* disclose an adverse Office Action, if it was material:

Q. The sense I'm getting from your testimony is that even if it's relevant that in the normal course it's not necessary to disclose a rejection as long as the references are disclosed in the other actions; is that true? Am I -

* * *

Q. If I've misstated it, I want to get it right, so that's why I'm asking?

A. Of course, if it was deemed to be relevant and in your duty to disclose you should disclose it, you would do that. I'm just saying that the typical normal course is that it's rare that you would bring an office action to the attention of an examiner in a copending case. But, of course, if there are issues of relevancy you would do that.

(M. Schumann Depo. Tr. at 127:10-128:4 [emphasis added].)

85. Even if Mr. Schumann's firm did have a policy of never disclosing Office Actions in copending prosecutions, that policy cannot erase the inference of deceptive intent that arises from withholding information Mr. Schumann knew or should have known could be material to patentability. If his former law firm

1 indeed had a policy of never disclosing Office Actions, that
2 policy was contrary to the duty of disclosure, as confirmed by
3 both parties' patent law experts. (TT 313:14-314:2 [Bridge's
4 patent law expert, Mr. Sheridan, testified in pertinent part,
5 "[T]he standard wasn't so much to disclose the fact of a
6 copending application as to disclose relevant information that
7 occurred or that came to light in the course of prosecution of
8 that copending application."]; TT 492:24-493:4; 535:18-536:14
9 [McKesson's patent law expert, Mr. Smegal, testified in pertinent
10 part, "Mr. Schumann . . . had an obligation under Rule 56 to
11 disclose material information If a . . . rejection, if
12 that document satisfied that criteria with respect to claims of
13 substantially similar[] content and scope, then he had a duty as
14 we've always had a duty."])

15 86. Attorneys cannot insulate themselves against charges of
16 inequitable conduct by instituting policies that prevent them
17 from complying with the law, as Mr. Schumann claims his former
18 firm apparently did in the 1980s. Under Federal Circuit case
19 law, "studied ignorance" such as that professed by Mr.
20 Schumann, supports, rather than defeats, an inference of
21 deceptive intent. Brasseler, 267 F.3d at 1377. In Brasseler, the
22 district court found that the prosecuting attorney deliberately
23 avoided learning about a potential on-sale bar event because "he
24 was reluctant to learn the specific facts pertaining to earlier
25 sales that he would have been obliged to disclose to the PTO."
26 Id. The Federal Circuit affirmed, stating that "one should not
27 be able to cultivate ignorance, or disregard numerous warnings
28 that material information or prior art may exist, merely to avoid

1 actual knowledge of that information or prior art. . . . Where
2 one does, deceptive intent may be inferred." Id. at 1383
3 (quotation omitted).

4 87. Here, Mr. Schumann's new claim at trial that he never
5 disclosed Office Actions, and that he was simply complying with
6 firm policy when he failed to disclose Examiner Lev's rejections,
7 is the same sort of "studied refusal to investigate" that
8 supported an inference of deceptive intent in Brasseler. Id.
9 Mr. Schumann either knew, or should have known, that rejections
10 can be material in copending applications, and that Examiner
11 Lev's rejections addressed the very point of novelty he had
12 advanced to Examiner Trafton. This knowledge put him on notice
13 that an investigation was necessary, regardless of his firm's
14 policy. Id. at 1385 ("Attorneys must conduct meaningful
15 inquiries when the surrounding factual circumstances
16 would cause a reasonable attorney to understand that relevant and
17 questionable material information should be assessed.").

18 88. Finally, while Mr. Schumann's disclosure of the co-
19 pendency of the '009 application to Examiner Trafton is *some*
20 evidence of a lack of intent to deceive under Akron Polymer,⁸
21 weighing all the evidence here, as the court must, said
22 disclosure does not overcome the inference of an intent to
23 deceive established by the above facts.

24 89. In sum, the court finds Mr. Schumann's two stated
25 justifications for failure to disclose the rejections are wholly
26

27 ⁸ 148 F.3d at 1384 (finding that disclosure of the
28 copending application is a fact that "points away from an intent
to deceive").

1 insufficient to overcome the inference of intent that arises when
2 "the withheld information is material and the patentee knew or
3 should have known of that materiality." Bristol-Myers, 325 F.3d
4 at 1239 (affirming finding of deceptive intent where the
5 patentee's "attempted justifications for [the nondisclosure] were
6 not credible").

7 **3. Nondisclosure of the Notice of Allowability of the**
8 **'372 Patent**

9 **a. Materiality**

10 90. A finding of unenforceability is further supported by
11 Mr. Schumann's conduct in failing to disclose the Notice of
12 Allowability of the '372 patent in the '716 prosecution.

13 91. The court analyzes this nondisclosure under the same
14 rule discussed above, established in the MPEP and confirmed in
15 Dayco, that an applicant must disclose material "information . . .
16 . as to copending United States applications" MPEP §
17 2001.06(b) (4th Ed., Rev. 8, Oct. 1981) (emphasis added). The
18 MPEP instructs that information relating to copending U.S. patent
19 applications "in which similar subject matter but patentably
20 indistinct claims are present" must be disclosed to the examiner
21 of each of the involved applications. Dayco, 329 F.3d at 1365
22 (quoting MPEP § 2001.06(b)). Information from the prosecution of
23 a patent application is "highly material" to the prosecution of a
24 copending application where "it could have conceivably served as
25 the basis of a double patenting rejection." Id. (citation and
26 internal quotation omitted). The doctrine of double patenting
27 "prohibits an inventor from obtaining a second patent for claims
28 that are not patentably distinct from the claims of [a] first

1 patent," id. (citation and internal quotation omitted), thus
2 preventing the extension of the statutory patent term. In re
3 Emert, 124 F.3d 1458, 1460 (Fed. Cir. 1997). A notice of
4 allowance of a patent with claims similar to those of a
5 co-pending application can generate a double-patenting rejection
6 for that copending application. See id. McKesson's expert, Mr.
7 Smegal, agreed at his deposition that the "federal circuit had
8 articulated the duty to disclose information such as a rejection
9 or notice of allowance of a substantially similar case in a
10 copending application" in the Dayco decision. (T. Smegal Depo. at
11 186:2-187:7 [emphasis added].)

12 92. Here again, McKesson's defense that Dayco created new
13 law fails, and the court rejects McKesson's contention that the
14 law requires disclosure only of the existence of the copending
15 application, not the allowance of those claims, as discussed
16 above. McKesson's only remaining argument is that the '372 and
17 '716 claims are not "substantially similar." The court rejects
18 this argument as well.

19 93. The court has found above that the allowed '372 claims
20 were "substantially similar" to the '716 claims. The court finds
21 that this substantial similarity in claim elements renders the
22 allowance of the '372 patent material to the '716 prosecution.
23 While there is one notable variation in the two patents in that
24 the "base station means" of the '716 patent includes a
25 "programmable unique identifier" and "means for only allowing
26 communication with a portable handheld patient terminal means
27 having a corresponding program identifier," while the '372 patent
28 does not, the court nevertheless finds that this difference does

1 not render the allowance of the '372 patent immaterial to the
2 '716 application. Allowance of the '372 still "could have
3 conceivably served as the basis of a double patenting rejection."
4 Dayco, 329 F.3d at 1365 (citation and internal quotation omitted)
5 (emphasis added). Examiner Trafton should have been given the
6 opportunity to consider whether the added limitations in the '716
7 were non-obvious. See LaBounty, 958 F.2d at 1076 (When
8 materiality is close it is "all the more necessary that the
9 [information] should have been disclosed to the examiner. Close
10 cases should be resolved by disclosure, not unilaterally by the
11 applicant."). Indeed, given that Examiner Lev had rejected the
12 "unique identifier" as obvious (TX X-00066-67), it is certainly
13 conceivable that the '716 could have been rejected under the
14 doctrine of obvious-type double patenting. The '372 allowance
15 was therefore material and should have been disclosed.

16 **b. Intent**

17 94. The court finds that the '372 allowance was withheld
18 with deceptive intent. Again, the information Mr. Schumann
19 withheld was highly material. Mr. Schumann himself confirmed at
20 trial that the two patents "disclose similar subject matter."
21 (TT 64:10-12.) While Mr. Schumann, looking back, asserts they
22 "claim patentably distinct inventions" (TT 64:12-13), that was a
23 judgment Mr. Schumann was duty-bound to let Examiner Trafton
24 make. LaBounty, 958 F.2d at 1076.

25 95. Given the high level of materiality, as with Mr.
26 Schumann's other nondisclosures, Mr. Schumann faces "great
27 difficulty in establishing subjective good faith sufficient to
28 overcome an inference of intent to mislead." Bristol-Myers, 326

1 F.3d at 1239 (citation omitted). "A mere denial of intent to
2 mislead (which would defeat every effort to establish inequitable
3 conduct) will not suffice." GFI, 265 F.3d at 1275. Again
4 disclaiming any recollection of the reason he withheld the
5 allowance in the '716 case (TT 224:1-13), Mr. Schumann rests on
6 the implausible explanation that the two patents did not raise a
7 double patenting issue because "the claims were different in
8 those cases." (TT 135:22-136:23.) But, by Mr. Schumann's own
9 admission, those claims involved multiple "means-plus-function"
10 claims, which Mr. Schumann conceded are defined by the
11 specification, not just the claims. (TT 238:2-23.) And, the
12 entire '716 specification, according to Mr. Schumann, is included
13 in the '372 specification. (TT 238:18-20.) Mr. Schumann
14 certainly should have known, if he did not know, that an
15 allowance of identical claims might have been important to make
16 of record in the '716 prosecution.

17 96. Finally, again, while Mr. Schumann's disclosure of the
18 copendency of the '372 application to Examiner Trafton is some
19 evidence of a lack of intent to deceive under Akron Polymer,
20 weighing all the evidence, said disclosure does not overcome the
21 inference of an intent to deceive established by the above facts.

22 **C. Equitable Balancing**

23 97. Having found materiality and intent to deceive based on
24 clear and convincing evidence, the court weighs the two against
25 each other to determine whether inequitable conduct has occurred.
26 Bristol-Myers, 326 F.3d at 1234.

27 98. A pattern of material nondisclosures, such as present
28 here, weighs firmly in favor of unenforceability. Ferring, 437

1 F.3d at 1194 (affirming finding of inequitable conduct entered as
2 a matter of law because "there was not simply a single omission.
3 Rather, there were multiple omissions over a long period of
4 time--a fact that heightens the seriousness of the conduct")
5 (citation omitted); Critikon, 120 F.3d at 1259 ("Given the
6 materiality and the failure at any point to offer a good faith
7 explanation of the pattern of nondisclosure, an intent to mislead
8 may be inferred.").

9 99. The items of information Mr. Schumann withheld from
10 Examiner Trafton, both individually and as a whole, constitute
11 matter a reasonable examiner would have been substantially likely
12 to consider important while evaluating patentability of the
13 '716 patent application, and there is no dispute that Mr.
14 Schumann was aware of each piece of material information--the
15 Baker patent, the '009 rejections, and the allowance of the '372
16 patent.

17 100. Moreover, the circumstantial evidence here strongly
18 supports an inference of deceptive intent, and significantly, Mr.
19 Schumann failed to provide a credible explanation for his
20 nondisclosures. Indeed, this is not a case of mistake or
21 negligence, since Mr. Schumann, an experienced patent prosecutor,
22 testified that he would make all of the same decisions again if
23 prosecuting these applications today. (TT 210:25-211:7.) That
24 Mr. Schumann failed to appreciate his duty of disclosure when he
25 prosecuted the '716 patent, and that he continues in that
26 wayward position contrary to the law does not excuse his conduct.
27 See Brasseler, 267 F.3d at 1376 ("a patentee's failure to
28 appreciate the legal significance of the facts that it failed to

disclose did not absolve it of its duty to disclose").

2 101. Weighing materiality against intent, the court finds
3 that each of the nondisclosures set forth above, the Baker
4 patent, the '009 rejections, and the '372 allowance,
5 individually would support judgment of unenforceability. For
6 each, the showings of materiality and intent are high. The court
7 finds significant that for each nondisclosure, Mr. Schumann
8 offered nothing other than bare denials of intent, combined with
9 numerous excuses that this court finds implausible and not
10 credible. Paragon, 984 F.2d at 1190 ("merely conclusory
11 statements or completely insupportable, specious, or conflicting
12 explanations or excuses" are insufficient to defeat a finding of
13 inequitable conduct). The record compels a finding that the '716
14 patent was procured through inequitable conduct, thereby
15 rendering the '716 patent unenforceable.

IT IS SO ORDERED.

DATED: June 13, 2006.

/s/ Frank C. Damrell Jr.
FRANK C. DAMRELL, Jr.
UNITED STATES DISTRICT JUDGE